

Message Text

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ACTION EA-14

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PM-09 H-02 INR-09 L-03 NSAE-00 NSC-10 PA-03 RSC-01

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R 090802 Z MAR 73

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 6680

INFO AMEMBASSY TAIPEI

AMEMBASSY TOKYO

AMCONSUL HONG KONG

C O N F I D E N T I A L SEOUL 1440

E. O. 11652: GDS

TAGS: PBOR, ENGR, KS

SUBJECT: KOREA- JAPAN JOINT OIL EXPLORATION TALKS

SUMMARY: ROKG- GOJ WORKING LEVEL OFFICIALS MADE SUBSTANTIAL PROGRESS TOWARD BILATERAL AGREEMENT ON JOINT OIL EXPLORATION IN DISPUTED AREAS IN MARCH 5-8 SEOUL MEETING. WHILE SEVERAL MINOR ISSUES NOT YET WORKED OUT, ONLY " CROSS- ASSIGNMENT" ISSUES REMAINS AS MAJOR STUMBLING BLOCK. ANXIOUS TO CONCLUDE AGREEMENT, ROKG MAY DECIDE COMPROMISE ON THIS ISSUE AT NEXT MEETING END OF MARCH. LOCAL MANAGER OF U. S. FIRM HOLDING ROK BLOC VII CONCESSION BELIEVES SUCH ACTION WOULD BE DETRIMENTAL HIS COMPANY' S INTERESTS, UNLESS FIRM ABLE NEGOTIATE RELIEF FROM ROKG TAX AND ROYALTY REQUIREMENTS.

1. ACCORDING ROKG PARTICIPANT, SUBSTANTIAL RESULTS WERE OBTAINED AT MARCH 5-8 MEETING. ROKG REMAINS HOPEFUL THAT AGREE- MENT CAN BE INITIALED AND PUT THROUGH JAPANESE DIET IN MAY 1973, DESPITE CAUTION BY GOJ TEAM THAT RATIFICATION CAN NOT BE DONE BEFORE DIET' S 1973 FALL SESSION.

2. JOINT DEVELOPMENT AREA WAS REDEFINED AT MEETING. IT NOW CONSISTS OF AREA ENCOMPASSED BY A LINE FROM INTERCEPT OF NORTHERN BOUNDARY ROKG BLOC VII WITH EASTERN BOUNDARY ROK BLOC
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VI (POINT A) TO 30 DEGREES 46 MINUTES TWO SECONDS NORTH, 125 DEGRESS 55 MINUTES FIVE SECONDS EAST, (POINT B) THENCE SOUTH SOUTHEASTERLY TO INTERCEPT WESTERN BOUNDARY ROKG BLOC VII AT APPROXIMATELY 126 DEGREES TEN MINUTES EAST, (POINT B2) AND FROM THAT POINT IDENTICAL TO BLOC VII BOUNDARY. EFFECT OF CHANGE IS TO ENLARGE THAT PART OF ZONE VII SUBJECT TO JOINT DEVELOPMENT. IT ALSO APPARENTLY INDICATES CHANGE IN GOJ ATTITUDE TOWARD POTENTIAL PRC CLAIM. ROKG TEAM HAD IMPRESSION GOJ TEAM HAD NO NEW INFORMATION ON PRC CLAIM, BUT MERELY WANTED STRENGTHEN GOJ POSITION BY EXTENDING SOUTHWEST BOUNDARY JOINT DEVELOPMENT ZONE. POINT B IS REGARDED AS TRILATERAL MEDIAN POINT. TENTATIVE AGREEMENT ON NEW JOINT DEVELOPMENT AREA (JDA) WILL HAVE EFFECT OF BRINGING SMALL PART OF GULF CONESSION INTO JDA.

3. EACH COMPANY WILL BE EXPECTED CONCLUDE OPERATING AGREEMENTS WITH EVERY OTHER CLAIMANT IN ITS CONCESSION. TEN SUCH JOINT VENTURE UNITS ARE TO BE FORMED.

4. BILATERAL COMMITSSION WILL BE FORMED, BUT AGREEMENT NOT YET REACHED ON FUNCTIONS AND POWERS. ROKG WANTS POWERFUL COMMISSION: GOJ TEAM PRESSED FOR LOOSE ORGANIZATION AND ONLY VAGUE POWERS. APPLICABILITY OF LAWS ON JDA STILL UNDER DISPUTE, AS IS DEFINITION OF RESOURCES (WHETHER ALL MINERALS OR ONLY PETROLEUM AND NATURAL GAS) TO BE COVERED BY AGREEMENT. GOJ DELEGATES REPORTEDLY OPPOSED DRAFT LANGUAGE DESCRIBING AGREEMENT AS " PERMANENT," AND INSISTED ON PROVISION RESERVING GOJ POSITION ON CONTINENTAL SHELF VIS- A- VIS THIRD COUNTRIES. ROKG SEES THESE AREAS OF DISAGREEMENT AS MINOR AND SUSCEPTIBLE OF SOLUTION AT NEXT MEETING END OF MARCH.

5. WHOLE AGREEMENT MAY FALL, HOWEVER, ON QUESTION OF " CROSS-ASSIGNMENT" BY WHICH JOINT VENTURE UNIT FIRMS WOULD EQUALIZE COST INEQUALITIES DUE TO DIFFERENCES IN JAPANESE AND KOREAN MINING LAWS AND TAXES. BOTH ROKG AND GOJ SOURCES INDICATED THAT GOJ WILL HOLD FIRM ON REFUSAL ACCEPT THIS POINT. (GOJ SOURCE CITED DOMESTIC POLITICAL FACTORS AS REASON; ROKG SOURCE IMPLIED GOJ POLICY MAKERS HAD BEEN CORRUPTED BY JAPANESE OIL FORMS.) IF ROKG FEELS POINT HAS BEEN REACHED WHERE ITS INTERESTS AND THOSE OF KOREAN AMERICAN OIL COMPANY (KOAM) NO LONGER COINCIDE ON THIS ISSUE, ROKG WILL COMPROMISE IN ORDER TO OBTAIN AGREEMENT. KOAM IS ONLY FIRM CONCERNED OVER EQUALIZATION; TEXACO IS TAKING REGIONAL VIEW AND DOES NOT INSIST ON EQUALIZATION. FOREIGN
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MINISTRY CLAIMS IT HAS SECRET WRITTEN PROTOCOL TO CONCESSION

CONTRACT FOR ZONE VII, UNDER WHICH COMPANY AGREES NOT MAKE
LEGAL ISSUE IF CONTRACT PROVISIONS HAVE TO BE CHANGED AS
RESULT OF ROKG- GOJ SETTLEMENT. ROKG AND KOAM HAVE INITIATED
PRELIMINARY DISCUSSIONS ON CHANGING CONTRACT, BUT AS MATTERS
NOW STAND, KOAM BELIEVES ITS INTERESTS MAY BE AFFECTED ADVERSELY,
UNLESS FIRM IS ABLE TO PERSUADE ROKG TO RELAX PAYMENT REQUIRE-
MENTS CONTAINED IN PRESENT CONCESSION CONTRACT.
UNDERHILL

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